

## THE INFORMAL POSTSOCIALISM

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*Abstract* The "development" of the informal sector in socialism was in direct proportion to the unproductive centralized regulative mechanisms which were constantly overburdened at a relatively low level of complexity. The postsocialist systems thus inherited informal activities developed in almost all domains. This is one of the most important characteristics of postsocialist societies which considerably increases the transition's contingency. It is therefore somewhat surprising that the research of these phenomena in postsocialism is in such a disproportion with their frequency. The ignorance of the sophisticated informal sphere is one of the major reasons why systemic formal measures do not attain suitable results.

*This article recommends research of the informal sector in transition societies not only because of its important structural position but also because the informal activities are a possible supplement to the rigid formal regulation of the developed modern societies as well.*

transition from socialism, informal activities, formal regulative mechanisms, complex modern societies

This article originates from the thesis that an extensive informal sphere is one of the most important characteristics of postsocialist societies, considerably increasing the transition's contingency. To analyze this sector should therefore be a priority to anyone attempting to make these diffuse transition processes less inadvertent. The basic reason for this condition can, of course, be found in the hidden, or at least inadequately known, informal structure of societies under transition<sup>1</sup> and, indeed, in the fact that this kind of transition stands for a "counter-revolutionary" passage from "socialism to capitalism", i.e. a process which in spite of all efforts cannot be formally and institutionally regulated.

The experience of state socialism has taught that the "development" of the informal sector is in direct proportion to the existing blockades, i.e. the inefficiency of formal regulative mechanisms.<sup>2</sup> The discontinuation of the "reproductive capacities of socialist systems" is actually a confirmation of the following logic thesis: systems of relatively low complexity which are administered from one single centre run into insurmountable administrative blockades much earlier than decentralized, highly complex, modern systems.

It would certainly make sense to start the discussion of this theme by questioning whether the disintegration of state socialism can be interpreted within the context of

postmodernization theory, i.e. a critical approach to modernity. The discussion dealing with the crisis of (over)complex systems has taken its own course, independent from the actual "megatrends" in (post)socialist Europe (Offe, 1987; Habermas 87/91). The empirical fact that state socialism has disintegrated can hardly be directly linked to the problems of developed modern systems, but the collapse of the "eastern modernization variant" can stimulate our reflections about the western one, especially as this (western) model is often uncritically used as a prototype for the reconstruction and renovation of "eastern" societies.

Since the postsocialist systems are just about to establish a modern institutional structure, the question whether it is possible for any transition to anticipate modernization problems and try to evade them is highly pertinent. Presently, available evidence suggests that this will not happen. The main reason for this pessimistic view<sup>3</sup> is that the transition societies tend to uncritically copy existing modernization patterns which are already causing serious problems - in Offe's opinion they are insuperable blockades in developed western systems. Ecological problems are the most evident examples.

It would therefore be wise to seriously consider the thesis on the low productivity of formal regulation and management mechanisms. This is especially true of the most developed (differentiated) modern systems facing the expansion of options (Offe, 1987). It would be quite cynical, of course, to pretend that the crisis of socialist systems was brought about by rigidity due to excessive options. However, the connection with the disintegration of socialism is obvious at one point: the extreme administrative regulation by the machinery of socialism causes paralysis even in a condition of relatively limited options. In spite of substantial and manifest differences, especially as regards available options, it is possible to advocate the thesis that the rigid and inflexible nature of socialist "paramodern systems" (Bernik, 1989) is comparable to the modern situation, not in the least because both the eastern and western variants draw enlightenment from the same roots.

The socialist societies sought to surpass or at least hang on to "developed" modern societies in all sectors<sup>4</sup> by means of forced modernization leaps. Due to the central position and hierarchic nature of the political subsystems, the centralized regulation mechanisms became constantly overburdened at a relatively low level of options. This, then, was empirical proof of what had been known in theory for a long time. Modernization, when enforced from one centre to which all subsystems are subordinated, encounters overwhelming administrative blockades. For this very reason systems of a relatively undeveloped differentiation have to deal with much worse administrative blockades than the highly developed modern systems Offe mentions.<sup>5</sup>

In systems where the socialist social structure has not really been replaced, there is thus still ample opportunity for systemic expansion of formal "coordination capacities". Indeed, it would be more correct to say that postsocialist systems are only beginning to establish formal regulative mechanisms compatible with corresponding institutions in "modern" western societies. Furthermore, in postsocialist systems there are many opportunities to modify the use of different administrative mechanisms. In a society under transition like Slovenia,

the matter is not only one of restructuring but also of establishing formal regulation mechanisms in three complex areas: a) a democratic parliamentary system, b) a market economy system and c) the nation state with all its attributes (Adam, 1993: 208).

For this reason it is apparently premature to question the potential of societies under transition to reduce their need for regulation. On the one hand, these societies are of low-level complexity; on the other hand, due to accelerated transition, contingency is highly probable. A special feature of the "eastern" modernization variant is its occurrence at a time when modern societies are already on the brink of "high modernness" (Giddens, 1990; Tourraine, 1990). Seen from this angle, we may speak of lagging behind or of implementation of rather old-fashioned social patterns. This is all the more reason to question uncritical copying.

In order to analyse the societies of former state socialism, it is very important to differentiate between totalitarian and total regulation. The first denotes a tendency, the latter a goal. This means that totalitarian regulation is not yet total. This trap has caught "more or less" all socialist "regulators". There are many empirical reasons to argue that total regulation is not actually possible in any concrete empirical system. Utopian endeavours to realize total projects "necessarily" remain totalitarian, i.e. never get any further than the stage of attempt. Many infamous phenomena of socialist systems are the result of desperate and hysterical efforts to control the uncontrollable. In short, the socialist societies started building an excessively profuse formal institutional network which they were neither able to finish nor to maintain. The result was, on the one hand, a dense network of formal institutions which did not allow for spontaneity and, on the other hand, vacant spaces where the network was rare or did not exist at all. These "vacant spaces" permitted and even stimulated the boom of informal activities (Sampson 1985/6; Henry 1987; Svetlik 1988).

The "developed" informal sphere in (post)socialist systems can also be interpreted in the light of Luhmann's concept of autopoietics. Every rigid, i.e. self-contained system which has rigorous or insurmountable borders, opens up on a certain parasystemic level, thus creating a space where informal activities can thrive. In all socialist systems the phenomenon of parallel informal activities was very intensive and broad, ranging from education to health services, culture to the supply of basic necessities, and many other areas. We might even say that the informal duplication of socialist systems became part of the "normal" system, at least in common sense reasoning.

One of the key misunderstandings of the "managers of socialist societies" was their ignorance that partial modernization implies that the old institutions are not just "remnants" of previous formations, but a necessary condition for the system to function. Quite often we encounter the paradoxical situation that exactly these rejected institutions allow the system to survive. In other words, without these "remnants" the functioning of social systems would be even more paralyzed. This is a specific kind of "social schizophrenia" (Sampson, 1985/6). "Remnants" of the former society are something that must be fought, but at the same time it is exactly these elements which enable the society to function "normally". The inconsistency is thus structurally conditioned, and as such is also an essential characteristic of

the "socialist transitional period".<sup>6</sup> Contrary to quite widespread opinion, there nevertheless existed, even in the most "totalitarian" socialism, a considerable space which was occupied by informal structures. This was indeed a necessary structural condition for these systems to function because the "secondary economy is a structural result of socialism" (Sampson, 1987: 122). The informal sphere in socialist systems may thus be treated as an indicator or result of "structural conditions and processes" (Ferman, Henry, Hoyman, 1987) of modernization. Because of this, the informal sphere actually acted as a necessary constitutive element.

The postsocialist systems thus inherited developed informal activities in almost every domain. Therefore, one of the essential developmental issues of the "societies under transition" is formalization, i.e. incorporation within the formal institutional system. From this point of view, the problem of postsocialism is not merely to create opportunities for spontaneity, self-initiatives and similar, but much effort is needed to institutionalize and formalize hitherto "vacant spaces".<sup>7</sup> For this reason, the discussion of informal activity which runs parallel to formal practice has become very tangible in societies under transition.<sup>8</sup>

The structural dimension of the informal sphere societies under transition is very prominent, even accepting the thesis that the extent of the informal sphere in a concrete society corresponds with the size of the middle class in the social structure (Boer, 1990). According to this theory, informal activity is, above all, characteristic of the lower and higher classes. The middle class generally acts in accordance with valid formalized rules. This presumption corresponds with the thesis that the middle class is some kind of "social stabilizer", ensuring that the formal "rules of the game" are respected. The relative weakness of the middle (conformist) class in postsocialist societies thus provides additional evidence for a "structural" explanation of the "developed condition" of informal activities in socialism and postsocialism.<sup>9</sup>

It is therefore somewhat surprising that the amount of research into these phenomena in (post)socialism is inversely proportional to their frequency. The reasons for such lack of activity are wide ranging: some argue that these are merely remnants of the past and will disappear together with development and it therefore makes no sense to pay attention to them; others are in favour of preventing nonsystemic phenomena instead of researching them. The basic reason lies undoubtedly in the fact that this is a phenomenon pandemic in societies under transition and so abundant that only the most "exotic" items of informal activity attract attention.

Relatively few researchers of (post)socialism dedicate themselves to this residual category. It is also surprising that among the rare treatments of the subject, only the minority come to deeper structural conclusions based on the established wide spectrum of informal practises. The majority rest satisfied with phenomenological descriptions and registering abundant and quite often even "exotic" practices. These papers mostly display astonishment at various, sometimes highly unusual forms of behaviour<sup>10</sup> which are barely comprehensible to many observers from other environments.

One of the main objective reasons for the relative disinterest in various informal practices is the lack of reliable, controllable data.<sup>11</sup> One has to rely on direct conclusions and merely evaluate the share of informal activities in individual social sectors. An indicator of the poorly developed condition of relevant research is the use of an inadequately differentiated approach which ignores the substantial differences between individual (post)socialist societies. Between "Ljubljana and Vladivostok" conditions tend to be quite different. It is quite understandable that cultural, economic and historical differences, which were not allowed to feature within the relatively homogenous socialist, formal, institutional system, came to the fore in the informal sphere. It is well known that showing faithfulness to the singularly valid model of building socialism was one of the main determinant factors in most of the socialist systems.<sup>12</sup> There are many reasons why we have no detailed knowledge of informal practice, in spite of the fact that it is of vital importance for a large part of the population in the present conditions of increasing unemployment and prolonged economic recession.

As in other countries, most attention goes to informal economic activities in (post)socialist systems. The term most often used when describing various informal productive activities is "secondary economy" which simply differentiates informal economic practice from the formal economy. Another concept used to be the "unplanned economy" (Lomnitz, 1988), which in the planned socialist systems automatically denoted informal economic practices. There are frequent literary notions containing more than a mere metaphorical message. Among them is the term "invisible economy" (Galasi, Sik, 1988), emphasizing that this widespread practice is actually hard to register and, of course, difficult to treat (analyse, research). There are several general notions like "informal sector" (Portes, Borocz, 1988) and informal work, which of course do not refer only to economic, i.e. productive activities, but actually comprise a wider spectrum of activities.<sup>13</sup> Most authors are indeed content with a negative definition, and this confirms that the theoretical foundation of this research field is quite insufficient.

Most research of informal economy was effected in the last 15 years, i.e. approaching the end of the socialist regimes. Sampson (1987) mentions a bibliography (in 1987) with a little over 150 titles, thus confirming the relative meagreness of this kind of research. The main authors are western economists (Simes, 1975; Katsenelinboingen, 1985; and, above all, Grossman, 1987, 1988; Galasi, Sik, 1988; Glas, 1988: 85). When trying to collect material, ethnological and anthropological studies provide valuable information (Lomnitz, 1988). However, most researchers limit themselves to descriptive studies, and newspaper reports on corruption and the illegal informal economy.<sup>14</sup> Therefore, it is still impossible to adequately describe on an empirical level the complex variety of informal activity and informal phenomena, though numerous examples are highly illustrative of the thesis that informal practices always occur where there is an institutional void, where the formal system does not function appropriately or not at all.

In Slovenia, informal practices are highly developed for historical and political reasons (Svetlik, 1988; Glas, 1988). It would not be hazardous to state that the Yugoslav socialist system not only allowed informal activities to the widest possible extent, but even relied on

them. The best known characteristic of the Yugoslav variant of socialism was self-management. Less was known, however, about the large enclaves in which social practice was run according to traditional, informal patterns, in line with certain eclectic mixtures of premodern, modern, self-management and socialist approaches. This practice differed largely from formal, institutionally imposed patterns of activity. The administration of society had to be pragmatic in a relatively undeveloped society, and this links the Yugoslav informal socialist practice to the other relatively less developed socialist systems of Romania, Bulgaria, Albania, Poland and the south of the Soviet Union.

Another factor was the relatively permissive nature of the formal system. This criterion, too, ranks Yugoslavia among the socialist systems which allowed conditions favourable to the growth of informal practices.<sup>15</sup>

In Slovenia, too, we can establish a wide gap between the magnitude of the phenomenon and the amount of research or professional analyses undertaken. Some research<sup>16</sup> exists, but not in a sense that would allow us to say that the phenomenon received the attention adequate to the importance it had and still has. It is also quite probable that the gap between our knowledge and the actual informal practice is even wider, merely because the magnitude of the phenomenon essentially exceeds that of other similar societies. It is exactly this factor which may affect postsocialist development in Slovenia to a substantial degree.

Wilful ignorance of the sophisticated informal sphere is one of the major reasons why systemic, formal measures do not attain suitable results. This creates the impression that the state's apparatus and the new social institutions<sup>17</sup> act highly irrationally and inefficiently. The complementary thesis is also quite illustrative. Informal structures supplant the large, low efficiency, formal systemic machinery. This substitution is quite obvious in the social sphere, as regards unemployment and many other social consequences of the transition. The transition, i.e. the process of establishing new, modern institutions, has to face unusual competitors who offer resistance as well as aid when it comes to preserving a very labile social climate. This is the main reason for the ambiguous attitude to informal structures. It is obvious that the diffuse and extensive "grey" zone contributes substantially to the complexity of the transition processes, but is also evident that the sector has an important alleviating function.

More accurate knowledge of the extent and principles of operation thus might shed light on the blurred picture of societies under transition. It would also enable a more flexible treatment of the informal sector, something which is now prevented out of fear of an uncontrollable complexity. The extremely variegated, and therefore diffuse, informal activities, inherited from the socialist era, can also be seen as a source of creativity and authenticity, both so urgently necessary to reanimate rigid, modern, formal institutions and procedures. It is at this point that the discussion of the problems of societies under transition draws closest to the discussion on the existential problems of modern societies, i.e. to the paradoxical situation that systemic, formal mechanisms are used to solve problems caused by the rigid, formal and uncreative operation of the system itself. The awareness of modern societies of

this blind alley a la Baron von Muenchausen is still quite feeble in postsocialism. It is therefore necessary to advocate the potentials of informal practices.

## NOTES

1. Typical is the Ost paper (1993) which elaborates on the deficient civilian sphere in postsocialism and totally ignores this dimension.
2. The best example is housing. The share of informal housing production from 1970 on was more than 50%. See Statistical Yearbook 1975, 1981, 1993. Some economists estimate the share of informal economy in Yugoslavia was up to 25% of GNP (Glas, 1988).
3. In this context consider Offe's interesting thesis that postsocialist systems will not be able to establish the democratic standards achieved by the West because the modernization process requires a "certain lack" of democracy in its initial stage (Offe, 1991).
4. The successes in space technology and in the "technology" of producing top athletes prove that socialist systems were partially capable of attaining and even outdoing some top achievements of competitive modern societies.
5. The Yugoslav experience is very indicative in this context. The self-management project can be treated as a paradigmatic example of a complicated system which smothers itself because of communication and coordination blockades. See more about this in: A case study of conflicting housing pluralism in Yugoslavia: informal (self-help) activities in the formal housing system (Kos, 1992).
6. Other researchers of "informality" in socialism come to the same conclusion: Ferman & Ferman, 1973; Sanders, 1987; Henry, 1987; Lomnitz, 1988; Galasi & Sik, 1988; Svetlik, 1988.
7. Because this process is not taking place quickly enough, the highest arbitration body (i.e. the constitutional court) has too much work to cope with.
8. Numerous political affairs could also be interpreted as the consequences of these "vacant spaces".
9. This thesis directs the analysis of informal activity in societies under transition in two directions: 1) the informal activities of the lower classes to which relatively high attention is given, and 2) the informal activities of the higher classes which attracts special attention through (extremely) numerous affairs.
10. E.g. Sampson mentions that cigarettes of the Kent brand were for some time used as a money substitute in the secondary economy of Romania.
11. Research is impeded because of the lack of empirical data, either because the authorities hide them or simply because of ignorance and conceptual confusion (Sampson, 1987: 123).
12. There were, of course, differences on the formal, institutional level too, but nevertheless the thesis can be defended that the range of these differences was essentially narrower than with the informal practice.

13. The issue of terminology is, of course, one of theoretical conceptualization. Apparently related notions may conceal substantial differences. E.g., the collection "Neformalno delo" (Informal work, Svetlik et al., 1988) and "Siva ekonomija v svetu in Jugoslavija" (The grey economy in the world and in Yugoslavia, Glas, 1988).

14. A good example of such study, though its ambitions reach higher, is the paper by L.A. Lomnitz (1988): "The network of exchange in formal systems: a theoretical model".

15. Among the systemic factors which directly stimulated the development of an informal economy, some authors rank the following: 1) a relatively large private sector; 2) low efficiency of the formal economy; 3) a relatively strong influence from abroad (tourism, emigrants, trade in foreign currency etc.); 4) low efficiency of systemic control organs (the state); 5) a substantial agricultural sector (Sampson, 1988: 143). These characteristics were attributed mainly to Poland, Hungary and Yugoslavia.

16. See e.g. Vujović (1985), Svetlik et. al. (1988), Kos/Gantar (1987), Kerovac (1985), SAZU (1982) and others.

17. Quite symptomatic and indeed tragicomic are those situations in which the government's urbanists try to find a solution for numerous illegal space interventions. See more about this subject in the thematic section on illegal building in TIP (1993, 5/6).

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